

~~SECRET~~DCI Interagency Balkan Task Force
26 July 1994**State Paper: Re-energizing the Krajina Talks**

- In order to capitalize on momentum from a possible Bosnia deal and underscore to Zagreb that we have not forgotten its problems, we should address the Krajina problem through confidence-building measures, a political settlement proposal, and a package of incentives and disincentives, including meaningful autonomy for the Krajina Serbs.
- We should continue to rely on the existing ICFY/U.S./Russia framework for negotiations as the Russians have played a constructive role with the Krajina Serbs. Milosevic retains significant leadership on this issue and he may be willing to press forward with a Krajina settlement particularly if credible sanctions remain linked to Krajina.

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RELEASED IN FULL**RE-ENERGIZING THE KRAJINA TALKS**

Prior to Gorazde, the negotiating process on Krajina seemed to be on target. Milosevic was pressing Knin hard to compose its differences with Zagreb. On March 30 ICFY Representatives Eide and Ahrens, Ambassador Galbraith and Russian Ambassador Kerestiedianc brokered a comprehensive cease-fire agreement. A second phase of talks aimed at negotiating economic confidence-building measures had been planned, and it looked like both sides were serious about moving step-by-step toward a third phase involving a political settlement. All this changed in the wake of the Bosnian Serb attack on Gorazde, which apparently convinced the Krajina Serbs they could stall with impunity until they could gauge the international response and the direction Bosnia peace talks were likely to take.

Although the Contact Group's efforts revived the negotiating process in Bosnia, talks on Krajina remain stalled. In July, however, Zagreb and Belgrade exchanged notes on furthering their dialogue, professing their commitment to talks on economic CBMs but setting no date for their resumption. The Serbs also recently signalled their interest in a Milosevic-Tudjman meeting, ostensibly to help move the process forward. But Tudjman has responded that there must be mutual recognition between Croatia and the "FRY" before a meeting with Milosevic can take place.

Developing Concrete Political Autonomy Proposals

As we make progress toward a Bosnia settlement, we need to be prepared to intensify our efforts to seriously address the Krajina problem. A Bosnia settlement would address many of the key issues that also need to be overcome concerning Krajina, i.e., mutual recognition, recognition of existing borders, and granting a special relationship for Serbs with Belgrade short of allowing a Greater Serbia. Since we might need to move quickly to capitalize on the momentum from a Bosnia deal, we should begin now to work to develop precise arrangements for meaningful autonomy for the Krajina Serbs. This will not only help us be prepared to move forward quickly when the opportunity arises, it will also underscore to Zagreb that we have not forgotten the Krajina, thus reducing pressures on the Croat leadership to seek to regain the UNPA's militarily.

In seeking to move the negotiating process sharply forward, we should consider adopting an approach similar to the one we are now pursuing in Bosnia. This would involve having the international community put together proposed agreements in the two key areas essential to an overall settlement-- confidence-building measures and a political settlement-- and then give the parties a consequences package of incentives and disincentives beyond what is already in place for Bosnia to induce them to accept them.

REVIEW AUTHORITY: Robert Homme, Senior Reviewer**CONFIDENTIAL**

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CONFIDENTIAL

-2-

Maintaining the Ad Hoc ICFY/U.S./Russia Negotiating Framework

To date, the Croatian leadership has been impressed with the U.S. role within the Contact Group, and believes that only the United States can act as an honest broker in the negotiations with Knin. Rather than hand this task to a new Contact Group, which would introduce complications about who should represent the EU, we should rely on the existing ICFY/U.S./Russia framework. So far, the Russians have played a constructive role in the Zagreb-Knin talks and could be instrumental in getting Belgrade to press the Krajina Serbs to arrive at a settlement. If necessary, the Contact Group could be brought in at a later date if deemed necessary to lend additional weight to this effort.

The ICFY team, which ideally would reconvene in late July or early August, would be charged with developing proposals on the two tracks. Once agreed, the proposals could be discussed with the Croatian government prior to raising them with Knin. The Croats, specifically Tudjman, appear ready to accept --and in fact would welcome-- such an approach. We are already considering possible elements of a political settlement and could send the two constitutional experts who worked on the Federation agreement to Zagreb to assist the ICFY/U.S./Russia team.

Confidence-Building Measures/Incentives Package

Among the confidence-building measures likely to be included in an economic reintegration package are the reopening of road, rail, river, and air links; the restoration of energy and water facilities and supplies; the resumption of commercial trade activities; the restoration of post and telecommunications links; and the cessation of extraction and removal of oil and other natural resources from Sector East and other UNPAs without permission of the Croatian government.

If necessary, we could also follow the Bosnia precedent and develop an incentives and disincentives package to motivate the parties to accept the proposals. While Croatia is anxious to finalize an agreement, the Krajina Serbs are not. Milosevic remains the key to delivering the Krajina Serbs. There is good reason to believe he would be prepared to press forward with a Krajina settlement once a Bosnia settlement has been reached, particularly if credible sanctions remain linked to Krajina, as both we and the EU propose.

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